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**Director of
Central
Intelligence**



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National Intelligence Daily

*Saturday
3 April 1982*

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CPAS NID 82-078.IX

3 April 1982

25X1

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Page Denied

Top Secret

25X1

Contents

Argentina-UK: *Military Activity* 1

25X1

UN-Cyprus: *High-Level Meeting* 8

25X1

Special Analysis

USSR-Poland: *Soviet Concerns*. 13

Top Secret

25X1

3 April 1982

25X1

Page Denied

Top Secret

25X1

ARGENTINA-UK: Military Activity

Argentina is reinforcing its forces after successfully invading the Falkland Islands yesterday. The British will pursue a negotiated solution but, in the meantime, are sending a substantial military force to the area. The Soviets are leaning toward Argentina, but do not appear to be prepared to give military support. Reactions from Latin America have been low key but generally supportive of Argentina, while those from Western Europe and Canada have supported the British position.

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A large crowd cheered President Galtieri's speech following the invasion as he proclaimed the action had been brought on by Britain's "unending succession of evasive and dilatory tactics" aimed at retaining control of the islands. In a subsequent interview the President suggested that Argentina might now consider opening a dialogue with the British.

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Press reports from Buenos Aires last night indicated that sporadic shooting continued as Falkland civilians evidently attempted to oppose Argentine troops moving to expand their control of the islands. This morning the Argentine Government released in Uruguay 86 British marines and officials captured during the invasion.

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Comment: The Argentine military almost certainly anticipates a British military response to the invasion and apparently has begun reprovisioning and reinforcing its forces on the islands.

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Argentine ground forces in the south probably are on a heightened alert status and would be the first reinforcements sent to the area. Other units could be

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Top Secret

25X1

3 April 1982

Top Secret

25X1

alerted and readied for transport to the southern area, but this would take several days. Transports and other naval craft could be sent to ports along the South Atlantic to ferry troops, equipment, and provisions to the islands.

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Almost the entire Argentine fleet is at sea, but, given the age of many of the units, Buenos Aires probably will begin withdrawing some ships once the reinforcement and reprovisioning of the islands has been accomplished.

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The invasion probably has strengthened Galtieri's standing within the military, particularly the Navy and among predominantly nationalistic political opponents who have long advocated invading the Falklands. This support will probably continue, even among hardline Peronist labor union leaders, who will have little choice but to back Galtieri despite repression of their recent demonstration.

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Galtieri probably calculates he will have to avoid the appearance of weakening or risk serious domestic and international repercussions. The Argentines see a direct correlation between a tough and successful effort on the Falklands and success in their Beagle Channel dispute with Chile.

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British Actions

Yesterday the UK Government broke diplomatic relations with Argentina and Foreign Secretary Carrington and Defense Secretary Nott reaffirmed British hope to resolve the dispute without direct military confrontation. They indicated, however, that London is ready to use force if necessary. Later today Prime Minister Thatcher will make a parliamentary statement on the crisis.

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The British reportedly are preparing to deploy two task forces to the South Atlantic. The first, which had been exercising near Gibraltar and may be moving south, could consist of as many as 24 to 28 ships--including four guided-missile destroyers, 12 frigates, two nuclear-powered attack submarines, and support vessels.

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Top Secret

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Top Secret

25X1

The second task force reportedly includes seven ships, including two carriers, and an attack submarine. This force--which cannot leave the UK until about 8 April--would not arrive in the Falklands for about 18 days. It has helicopters, vertical takeoff aircraft, two commando units, a Rapier missile battery, and about 1,800 troops.

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Comment: In Parliament Thatcher probably will offer to negotiate, but only if Argentina first withdraws from the islands. She is likely to receive heavy criticism for not sending military reinforcements sooner and will strongly reaffirm the intent to use the task forces if Buenos Aires refuses to negotiate. To do otherwise would provoke a revolt within the Conservative Party, strong criticism from the opposition, and a public outcry that could combine to bring down the government.

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The first task force, from Gibraltar, would be capable of attacking and defeating the Argentine naval group on arrival--around mid-April at the earliest--but because of the substantial force Argentina is deploying to the Falklands, it would not be able to invade. The second task force, however, could be used to invade the islands.

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Soviet Reaction

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The Soviets, who have in the past voiced sympathy for the Argentine position on the Falklands, are leaning toward Buenos Aires in their initial comment. TASS described the islands as "a disputed territory," thus recognizing an Argentine interest.

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On the eve of the invasion, however, the Soviets agreed to a UN call for maximum restraint by both sides.

Comment: The position of the Soviets is consistent with their efforts to improve relations with Argentina since it helped them overcome the 1980-81 US grain

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25X1

Top Secret

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embargo. If the UK forces a UN Security Council vote, the Soviets are likely to veto any condemnation of Argentina, but they will work behind the scenes to avoid such a showdown.

Other Foreign Reactions

Only a few countries have responded officially. In Latin America, Uruguay and Peru support Argentina, while Paraguay hopes the conflict will not affect the entire region.

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European Community Foreign Ministers, a Commonwealth spokesman, and Canada condemned the invasion and have called for Argentina to withdraw. NATO called for a diplomatic solution.

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Comment: Latin solidarity will almost certainly silence public criticism of Argentina on this issue. Few states would want to appear to openly side with the British on a question of territory in Latin America. Most European powers support the UK, but their general silence probably indicates a desire not to enflame the situation further, hoping that they can help foster a UN-sponsored solution.

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Page Denied

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UN-CYPRUS: High-Level Meeting

UN Secretary General Perez de Cuellar will try to keep the intercommunal talks on track during his meeting tomorrow in Rome with Cypriot President Kyprianou.

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Talks aimed at resolving the dispute between the two ethnic communities on Cyprus have progressed slowly since November, when both sides accepted a UN-prepared document as a starting point for discussion. The Greek Cypriots have threatened to take the issue to the UN General Assembly again--probably in the fall--unless there is greater progress. They also have been pushing for an international conference to discuss removal of Turkish troops, although Ankara has made clear it would not attend.

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Perez de Cuellar hoped to offer Kyprianou an incentive, but the Turkish Cypriots have been reluctant thus far to delete their reservations on several minor issues. Ankara and the Turkish Cypriots believe that granting any concessions now would only harden the positions held by Greek Prime Minister Papandreu and Kyprianou.

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The talks are beginning to focus on freedom of movement, settlement, and ownership, which the Greek Cypriots consider essential for ensuring the return of many refugees to their homes in the north. Although the Turkish Cypriots have agreed to these rights in principle, they want some controls to safeguard their security.

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Comment: Kyprianou, echoing Papandreu's appeal to West European colleagues last week, probably will try to convince Perez de Cuellar that all Greek and Turkish troops should leave the island. He will argue that a stronger UN contingent, which the Greeks are willing to contribute to financially, could ensure peace while the two communities discuss their problems.

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The Secretary General will counsel against internationalizing the problem and resist any Greek Cypriot pressure to launch a new UN initiative or to play a more active mediating role. Neither Kyprianou nor Turkish Cypriot leader Denktash, who will meet with Perez de Cuellar in Geneva next Thursday, is likely to pull out of the talks at this time. Perez de Cuellar, a former UN special representative on the island, is highly respected by both parties.

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Next 4 Page(s) In Document Denied

Top Secret

25X1

SPECIAL ANALYSIS

USSR-POLAND: Soviet Concerns

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After almost four months of martial law in Poland, the Soviets remain concerned over the slow progress toward rebuilding the Polish party and creating unions that will be both subservient to the party and able to attract workers. Although Moscow appears convinced that Premier Jaruzelski is for now the best available leader, it is using Warsaw's need for economic aid to prod him into reorienting Poland's economy toward the East.

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The Soviets want the Polish military regime to expedite the reconstruction of the party into a more centralized and ideologically orthodox body, which Moscow views as an essential aspect of future civilian rule. During Jaruzelski's visit to Moscow early last month, Soviet officials reportedly chided him by comparing his military government to a Latin American junta.

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The Soviets believe that a first step is the removal of party members too closely linked with reformist ideas and have publicly supported such a purge. Senior party officials from both countries appear to have focused upon this area during recent exchanges of visits.

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Economic Leverage

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Moreover, the communique issued at the end of Jaruzelski's visit implies that Soviet aid will be conditioned upon the reorientation of Warsaw's economy more toward the East, on its taking steps to balance its trade with the USSR, and on its progress in stabilizing the political situation. The fundamental, long-term nature of these conditions suggests that negotiations will be protracted, and that disillusionment may grow on both sides.

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Top Secret

25X1

3 April 1982

Top Secret

25X1

Fear of Worker Opposition

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President Brezhnev reportedly recommended to Jaruzelski that Poland establish a trade organization based upon the Soviet model, but the Polish leader refused to make such a commitment. The communique made no pretense of agreement on this issue. [redacted]

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The Soviets, nonetheless, recognize the importance of creating a union organization more representative of the workers than that which existed before the rise of Solidarity. They believe that such an organization is essential to increasing labor productivity and to removing the issue as a source of division in the party. [redacted]

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Despite concern over Jaruzelski's slow movement on these issues, the Soviets appear convinced that no one else could maintain order as effectively while rebuilding the party and the unions. His elaborate welcome in Moscow is being repeated as he visits other East European capitals. [redacted]

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Top Secret

25X1

3 April 1982

Top Secret

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